MEDICAL SCHOOL STUDY COMMITTEE

Study Assignment

A study of the mission, scope of operation, administration and financing of the Medical School at the University of South Dakota.

Recommendations

The Committee recommends that the Senate and House Committees on Appropriations approve an additional $387,000 and 4.0 FTE for the Office of Medical Student Education. This newly created office, listed as one of the strengths of the Medical School by the re-accreditation committee, records and assesses the academic progress and skills of medical students. The office should help ensure that the School of Medicine continues to produce qualified physicians. The assessment of students is a requirement for the future accreditation of the School.

Summary of Interim

The first meeting dealt with medical education in general, the history of the School of Medicine, the School's current operations and financing, the administration, and challenges that the School faces.

Dr. Robert Talley, Vice President of the Division of Health Affairs and Dean of the USD School of Medicine, briefed the Committee. South Dakota's School of Medicine is in the process of renewing its seven-year accreditation. This should be finished in October 2002.

It takes a minimum of eleven years for a person out of high school to be skilled, trained, and certified to practice medicine. The state's medical school admits students after four years of college. The Medical Doctor Program takes four years to complete. The Residency Training Program, which begins after an MD degree is granted, lasts three to six years. Approximately $500,000 of state funds goes to the residency programs. While the School of Medicine is responsible for the residency requirements, the actual training is done by hospitals in Rapid City, Sioux Falls, and Yankton.

Over half of the graduates who enter a residency program train to become a primary care physician. Since the School required four years of medical training before granting a degree in 1974, there have been 1,077 graduates. Forty-three percent (463) practice in the state, and 231 (22%) work in medically under-served counties.

The School is classified as a community based institution and does not have a traditional medical school hospital. The teaching sites are with actual, practicing physicians in their offices, clinics, and in community hospitals. Community residencies are financed by Medicare. The benefits to this arrangement include a cheaper operating cost and a real environment to provide instruction. The detriments include less revenue for the School and a lack of willingness to evaluate students.

The role of University Physicians (UP), the faculty practice plan, was extensively discussed. The organization was the full-time teaching faculty for the School of Medicine. It provided the School with opportunities to maintain faculty skills as well as learning opportunities for students and residents. It was also a source of revenue for the School of Medicine, providing 92 percent of the

faculty's salary. UP had relatively high overhead compared to its revenue. It formerly had a hundred physicians in Sioux Falls and thirty in Rapid City. The Rapid City membership has broken away due to the group's finances and management. The Sioux Valley Hospital bought the Central Plains Clinic. This caused a conflict between the School's independence and its management.

Currently there are 17–20 faculty members in UP. It does not have the ability to fund the School. It will provide some faculty salaries and will offer patients and a site for ambulatory medical student education.

Since UP has greatly diminished in size, there will be a greater reliance upon the hospitals to provide education. The School will pay $4.5 million for clinical education services. The School will offset the loss of revenue ($1.2 million) derived from UP by cutting clinical and residency programs. Presumably the hospitals will sponsor these programs.

The basic science disciplines (anatomy, biochemistry, physiology, and microbiology) taught at the Vermillion campus have been consolidated into one academic department which is headed by a dean. Medical science ultimately analyzes things at the molecular level, and the disciplines often become blended when research is conducted. This consolidation could be a better use of resources and funding. The change could allow resources to be more equitably shared between the disciplines. South Dakota's school of medicine is the first institution in the country to do this. The dean admitted that there is some disgruntlement over the change because of a perceived loss of identity amongst faculty.

The School's goals for the 2002 – 2003 Academic Year include:

- Continue all medical student educational programs at all campuses.
- Continue without reduction the funding of the basic sciences (the first two years of education, research, and the PhD program) and for academic support (libraries, administration).
- Narrow the School's mission to teaching medical students and research, ending the service mission and clinical care.
- Restructure University Physicians to support the mission of the School and salaries of critical clinical faculty, such as family physicians and primary care physicians, but have no "dean's or department tax".
- Locate two academic departments at the community hospitals in Sioux Falls.
- Use all available money from the state, tuition, and fees in clinical departments ($4.5 million) in a Mission Based Management format for clinical education.

At the second meeting the Committee heard testimony from the Board of Regents, several hospital administrators, and individual doctors.

Mr. Harvey Jewett, President, S.D. Board of Regents, testified that over the last 12-18 months, University Physicians was losing money and referrals. The revenue loss was being aggravated as physicians left the clinic. There was a structural problem in the management of UP from the Medical School's perspective because the Medical School had no say in the management of UP. Ultimately, the dean of the Medical School brought a reorganization plan to the Board of Regents, which was ultimately adopted. UP will now play a diminished and more administrative role in the education of medical students. This reorganization was not particularly popular in some circles within the Medical School. The Regents decided to not involve themselves in the personnel

decisions of which doctors and staff would be retained by UP after the reorganization. Both hospitals in Sioux Falls have agreed to serve certain administrative functions of UP in a partnership with the Medical School. Nationally, medical schools have moved away from maintaining their own practice plans toward hospitals maintaining a practice plan because they can afford it. The dean tried to work this reorganization out for the best interest of all parties involved. However, some department chairs were trying to work out separate deals on their own and ultimately had to be removed. External market forces played a role in the demise of UP. As hospitals began acquiring practice clinics, referrals to UP were declining, which contributed to the lack of revenue.

Mr. Ronald T. Porzio, Director/Chief Operating Officer of the Royal C. Johnson Veterans Memorial Hospital and Regional Office Center in Sioux Falls, spoke to the Committee. The Department of Veterans Affairs (VA) was critical in the conversion of South Dakota's two-year medical school to a four-year MD degree granting institution. To facilitate the conversion, the VA granted the state $8 million. Without a state affiliated medical school, the VA could not fulfill its mission nor adequately provide health care to the veterans in South Dakota and surrounding areas.

Dr. Mike Davies, MD, Chief of Staff, VA Black Hills, also spoke. The VA has been a silent partner over the years with the state medical school. There has been a tremendous expansion of outpatient clinics nationally, and South Dakota has seen benefit from this expansion. About half of the doctors in the United States receive part or all of their education through the VA. Teaching is a high priority mission of the VA, not only for physicians, but for all aspects of the medical profession. The VA also contributes to many research projects; there is a research building at the VA in Sioux Falls. Research is an area that needs to be developed in South Dakota. South Dakota can get more involved in VA research efforts by hiring doctors that are interested in research and can take advantage of VA connections to bring more research money into the state. Dr. Davies testified that some of the best physicians he has recruited to the VA had been students educated in South Dakota. The Legislature should nurture the relationship with the VA. Private hospitals also need to make a contribution to medical education.

Members of the Committee asked why the VA system has worked so well with the Medical School. The VA culture emphasizes teaching and education. Staff realize a part of their job is teaching. The mission of UP was to make money. If a physician's mission is teaching, then a doctor does not want to have to worry about generating enough money for the clinic so there is a stable job.

Mr. Fred Slunecka, Regional President and CEO, Avera McKennan Hospital, Sioux Falls, urged the Committee to look to the future for medical education in South Dakota so as to ensure that there is high quality faculty that are dedicated to teaching medical students. There are two components to medical education: 1) undergraduate medical education (medical school); and 2) graduate education (residency programs). The residency programs are funded through hospitals, the practice plan (UP), state support, and research dollars. Hospitals fund medical education through their revenue and with Medicare reimbursements. Medicare funding for medical education is on the decline and will not keep up with the cost of providing residency programs.

The funding for residency programs in South Dakota exists in large part on the good will of teaching hospitals because there are no formal agreements between the hospitals and the Medical School. Each teaching hospital has agreed to pay money into the Residency Corporation which pays the residents' salaries and benefits. Previously the Medical School residency department chairs were left to their own devices to convince the hospitals of their needs for additional resources, which resulted in a variety of deals being made. Large amounts of money were going into certain academic areas while others received little, which was a key issue that necessitated the consolidation of academic departments at the School of Medicine.

Medical education has changed over the years. Medical students used to spend the bulk of their time in the hospitals but are now hardly ever in the hospital setting because the bulk of their training occurs in the clinical setting. However, there is a tremendous value for a hospital to be involved in medical education because it keeps the staff sharp and involved in the learning process. The emphasis of the medical school on training primary care physicians generates substantially less revenues than more profitable specialties like cardiology or orthopedics.

Most rural medical schools operate under a consortium model or multi-party affiliation agreement, Mr. Slunecka observed. The current organizational model of multiple affiliations is problematic for rural community-based medical schools because medical schools negotiate separately with each teaching facility. This can lead to inter-organizational and administrative complexities. Mr. Slunecka suggested that a consortium agreement, with a formal partnership involving two or more separate institutions and characterized by joint and shared decision-making powers, could be a preferred approach. Operating deficits could be shared across all members of the consortium.

Mr. Jay Levine, a consultant hired by Avera McKennan, stated that the trend in medical schools over the last ten years is the need to gain control of the management structure to advance the entire academic enterprise and not certain components at the expense of other components. Many medical schools are adopting mission-based management.

Mr. Frank Drew, Vice President for Public Policy, Sioux Valley Hospital, Sioux Falls, noted that Sioux Valley Hospital has contributed both talent, time, and funding to the Medical School, and this will continue in the future. He stated that a consortium agreement might be feasible for the post-graduate residency programs, but that it would not be feasible for undergraduate programs because they are run by the state and should remain independent of the hospitals.

Ms. Becky Nelson, President of Sioux Valley Hospital, testified that Sioux Valley fully supports the four-year Medical School, noting that the sophistication and quality of medical care in South Dakota is due in large part to the Medical School in South Dakota. Because of USDSM, South Dakota has been able to recruit medical specialists to the area. The community-based Medical School in South Dakota utilizes the whole state as its medical community—it is not limited to merely one hospital facility. Sioux Valley Hospital supports the dean and the Board of Regents' plan for the Medical School. UP was the practice plan of the Medical School but it did not include all of the teachers and administrators. What has essentially changed is for which entity the community physicians will be working. Most of the practicing faculty are now employed by Sioux Valley instead of UP. It is important that the mission of the Medical School be reinforced because there is no way that communities could support small special practices. The general practitioners are needed to support the specialties. She noted that UP started out as the practice plan for USDSM and over time grew into a subspecialty clinic that was dedicated to some

teaching. With regards to a consortium, another level of bureaucracy does not need to be added to the Medical School because it is working very well.

During the second meeting public testimony was heard that was critical of the Medical School and its management.

Dr. K-Lynn Paul, Director, Psychiatric Residency Training Committee, testified that UP had no major problems but had minor problems that were fixable. He felt that it was deliberately disbanded to make a smaller entity. The department chairs did not want to align with just one hospital over another. He stated that there were several things that UP could have done to continue to operate, but the clinic was dismantled. Many of the physicians have had to go to work for the hospital clinics. Dr. Paul expressed his concern with the quality of teaching when he is not sure whom he can hire as instructors.

Dr. Murali Gopal, a psychiatry resident, testified that the psychiatry residents sent a petition to the Medical School of support for Dr. Fuller as the chair of the Psychiatry Department at USDSM, and they never received a response. There has been a lot of faculty disarray over the past year due to the reorganization of UP. He stated that during this time of uncertainty the teaching of residents has come into jeopardy. There has been a loss of cohesiveness in the psychiatric unit. Dr. Gopal expressed dismay that student resident concerns were not being acknowledged by the administration at USDSM.

Dr. Steve Haas, Rapid City, testified that he is now retired, but was formerly a doctor with UP and a UP board member. He did not recall there ever being a decrease in the number of patient referrals. He did recall a dramatic increase in overhead due to primary care. He noted that primary care outpatient is around 90 percent overhead and that specialty practitioners are needed to support the primary care program. He acknowledged that the clinic had problems with its specialty mix. He acknowledged that they had to recruit higher producing specialists in order to support UP. Dr. Haas stated that they were very actively involved in the process of trying to change the reimbursement and would have worked it out if they would not have had to pay doctors more than they were generating in overhead. Dr. Haas recommended that all hospitals within the state be involved in medical education. He did not want to see the Medical School disbanded because he felt that it produces a quality graduate.

Dr. Bill Fuller, former chair of the Psychiatry Department and a past member and board member of UP, testified that he has just ended 27 years of employment with USD. The sale of the USD logo to Sioux Valley Hospital was a critical occurrence that had much to do with this whole contentious situation. Dr. Fuller now works with Avera McKennan Hospital and is no longer allowed to use the USD logo on his business cards. Dr. Fuller testified that the Medical School is trying to maintain the school without the vehicle of UP or full-time faculty. He felt that clinical groups with an academic identity are essential for every department and that the Medical School should concentrate on bringing the alienated full-time faculty back on board. A moderate investment into the Medical School is needed from the state. Dr. Fuller advocated the idea of a consortium agreement.

Dr. Gregg Drabek, a surgeon in Rapid City, testified that he had joined UP three years ago with the idea that UP was a solid school program. He stated that he knew going in that he would lose some income but thought that being able to teach was worth it. However, he ended up losing 40-50 percent of his income rather than the 15 percent as promised. Since its reorganization, Dr.

Drabek looked into the accounting and billing practices of UP and it appears that non-collection of accounts is one of the biggest factors of the demise of UP. Dr. Drabek stated that the doctors were asked to assume a 63 percent overhead in order to keep UP in operation and this was not agreed to. He also noted that there was much discussion of UP aligning with Sioux Valley Hospital which would not have been beneficial for the doctors in Rapid City. Dr. The remaining physicians in Rapid City continue to be very excited about meeting the education efforts at the Rapid City campus. The physicians in West River do not want to be blamed for the demise of UP.

At the third meeting the committee heard testimony on the initial review of the re-accreditation committee and medical education consortia.

Dr. Talley testified that the Liaison Committee for Medical Education (LCME) recently completed their site visit in October. According to the re-accreditation committee, the strengths of the Medical School are:

- The dean;
- The newly created and funded Office of Medical Student Education;
- The successful three-campus model of decentralized clinical education;
- The Yankton model program;
- The consolidation of the basic science departments into the Basic Biomedical Sciences Division;
- The commitment of the clinical faculty;
- The affiliated health care institutions; and
- The modern clinical facilities present on all campuses.

Concerns expressed by the review team were:

- Policy and practices concerning diversity standards—little progress has been made to date in increasing the number of Native American students and faculty in the program;
- Lack of a strong commitment to scientific inquiry among the faculty; and
- Replacement of the Lee Building.

Areas of transition were noted as:

- The deconstruction of University Physicians (UP) has produced renewed emphasis on community-based education which requires careful monitoring of student progress and performance;
- Replacement of the Lee Building on the Vermillion campus;
- With the decrease in the intensity of lecture hours and excessive testing, a plan is needed to increase collaborative and self-directed learning; and
- The recently created Medical Education Committee has begun integration of the initial two-year curriculum, to be completed within the next three years.

Dr. Talley commented on the medical education consortium idea that has been brought to the committee's attention. He stated that in his review of the materials presented at the last meeting, a consortium is usually begun to enhance medical education in a specific community or campus. Dr. Talley noted that South Dakota's Medical School has four campuses. He suggested that a multiple affiliation approach (which is what the School currently has) would be more appropriate.

Dr. Talley stated that Michigan State University (an example cited in the information) eventually decided not to do a statewide consortium but instead adopted a campus-specific consortium.

Dr. Talley later commented that there is cooperation with medical education in South Dakota. He noted that many years ago a consortium was set up for the residency programs. There is a separate consortium for the Medical School Library, in which Avera McKennan chose not to participate. The Medical School has worked very hard to place medical school students in each of these hospitals so there is parity among the hospitals. He noted that Rapid City Regional Hospital has always been supportive of the Medical School, and he could not say why they have not yet decided on a contribution to the Lee Building project. He noted that the Rapid City Regional Hospital has never raised the issue of the Sioux Valley Hospital agreement with the School of Medicine in his conversations with them.

Dr. Talley responded to committee questions on the lawsuit brought by former physicians of UP. Dr. Talley commented that the report in the news media had no basis in fact. It is his understanding that the plaintiffs are claiming that UP did not aggressively collect the accounts receivable for certain physicians that left the organization. He indicated that those physicians who left did not fully understand the amount of their coverage for malpractice insurance. Dr. Talley noted that UP is vital to the independence of the Medical School because the School does not have the financial resources to pay the School's administrators. Those individuals must be able to earn their salary by practicing medicine.

Dr. Don Dahlin, Acting President, University of South Dakota, noted that the Lee Building on the Vermillion campus was identified as a concern by the LCME review committee. He presented the interim committee with current information on the funds gathered for this $31.8 million project. To date, the alumni foundation has raised between $26 million and $27 million through pledges, grants, and the Higher Education Facilities Fund (HEFF). Over 87 percent of the funding has been promised, but $5.7 million still needs to be raised. The University hopes to begin the project in 2003. The University would only seek legislative assistance in the event it becomes clear that private funding and grants will not cover the costs. Dr. Dahlin noted that this is the most critical aspect for the School of Medicine that needs to be addressed.

Mr. Fred Slunecka, Regional President and CEO, Avera McKennan Hospital, Sioux Falls, introduced Mr. Jay Levine, ECG Management Consultants, who presented information to the committee on development of a conceptual model for an education consortium in South Dakota. Mr. Levine agreed with much of what Dr. Talley had said about medical education consortiums. No two medical consortiums are alike and there is no single prototype model; the model should be designed to fit specific needs. If the consortium is to be successful, all participants should be in agreement of the objectives. Mr. Levine observed that it appears that the current structure or process by which teaching hospitals contribute to medical education in South Dakota is haphazard, contributing to a lack of parity among hospitals, which in turn escalates conflict among those hospitals and between those hospitals and the University. This also contributes to the uncertainty regarding the roles teaching hospitals will be willing to play in the future of the Medical School. Mr. Levine later said that he did not find it unusual that Rapid City Regional Hospital had not yet responded to the request for a donation to the Lee Building Project. He said that there is no lack of areas in which hospitals can reinvest their money, and they are probably constantly weighing where they should invest their money for the greater good of the hospital. South Dakota has less than an ideally coordinated strategy for funding medical education. The financing of medical education needs a coordinated structure.

Mr. Slunecka added that the issue all comes back to funding. In order for the hospitals to make large ongoing contributions to the Medical School, there must be trust, confidence, and common interests, and he did not feel that this has been established under the current system. He requested that the committee encourage the Board of Regents to exercise leadership in considering some type of medical education consortium model. Mr. Slunecka noted that even if Avera McKennan commits to financial support this year, he questioned if lack of trust and common interests will jeopardize future financial support. He noted that his opinion of parity has to do with a uniform way of doing business across all partners. He did not have a lot of faith in the continued ongoing funding of the Medical School being served.

Ms. Becky Nelson, Mr. Frank Drew, Dr. David Rossing, and Dr. Ken Aspaas, represented Sioux Valley Hospital. Dr. Rossing testified that Sioux Valley Hospital has been concerned and disappointed with the overt and implied criticism of the management of the Medical School. He expressed Sioux Valley Hospital's unconditional support for the Medical School and its leaders. This support has been confirmed by the overwhelmingly successful results of the recent accreditation visit.

Ms. Nelson testified that Sioux Valley Hospital does not own or control the Medical School and they are not the only hospital with which the Medical School has relationships or affiliations. Sioux Valley Hospital is not the only campus location for the Medical School. She acknowledged a close and mutually supportive relationship between Sioux Valley Hospital and the Medical School, noting that Sioux Valley Hospital is the primary teaching hospital for the Medical School. After state government, Ms. Nelson stated that Sioux Valley Hospital has been the primary financial supporter of the Medical School. The disparity in support among Sioux Valley Hospital and other hospitals for the Medical School is huge. She felt that Sioux Valley Hospital should be recognized at some point for its contributions to the Medical School. Ms. Nelson stated that very often Sioux Valley Hospital is criticized for being big, but she noted that she is proud of the resources they can dedicate to the Medical School and towards serving the population of this state in medical care. Ms. Nelson stated that the influence of the Medical School on Sioux Valley Hospital has been significant and positive and that the relationship with the Medical School makes them a better hospital. She concluded that Sioux Valley Hospital did not buy the name "USD Medical Center", they earned the name.

In response to committee questions with regard to Sioux Valley "earning" the name, Ms. Nelson clarified that they believe that the Medical School is a state asset and should remain independent. She noted that Sioux Valley Hospital is the primary teaching hospital for the Medical School. Because of the role that Sioux Valley Hospital has played over the last 20 years, they are in a unique position with regard to the other hospitals in South Dakota. She felt that other hospitals would have to replicate the same years of commitment and support to the Medical School as has been given by Sioux Valley Hospital and then approach the Governor to see what kind of deal could be worked out. Ms. Nelson added that significant collaboration and cooperation already exists among the parties involved with the Medical School and expressed Sioux Valley Hospital's opposition to a redundant structure. She clarified that Sioux Valley Hospital's opposition to a consortium does not translate into opposition to cooperation and collaboration.

Mr. Drew testified that the medical education consortium proposal presented has not been supported by the School of Medicine, USD, the Board of Regents, the Department of Veterans' Affairs Medical Center, the SD State Medical Association, the SD Association of Healthcare Organizations, or Sioux Valley Hospital. Mr. Drew commented that while Sioux Valley Hospital registers its opposition to this proposal, they are in no way opposed to collaboration, of which a great deal currently takes place. The medical education consortium model presented specifically speaks to a consortium that would involve undergraduate medical education. Mr. Drew questioned the applicability of the Michigan State University consortium model to South Dakota, noting that it looks nothing like the state of South Dakota medical education program. Also, he noted that the South Dakota medical education enterprise does not begin to approach the size of the Michigan State University consortium. Mr. Drew noted that the verbal presentation of the consortium model indicated that it was not intended to usurp any authority of the current parties involved in medical education in South Dakota; however, the written plan calls for turning management over to a separate board. He found it difficult to believe that the Legislature would be willing to turn over undergraduate medical education to a separate entity. He felt that this would compromise the independence of the Medical School.

Listing of Legislation Adopted

None.

Summary of Meeting Date & Places and Listing of Committee Members

The Committee met on June 25, July 22, and October 25. All meetings were held at the State Capitol.

Committee members were Representative Mitch Richter, Chair; Senator Barbara Everist, Vice Chair; Senators Rebekah Cradduck and John Reedy; and Representatives Stan Adelstein, Julie Bartling, Judy Clark, Scott Eccarius, Mary Glenski, Don Hennies, Ted Klaudt, Jim Lintz, B.J. Nesselhuf, Willard Pummel, and Donald Van Etten.

Staff members included Reed Holwegner, Senior Fiscal Analyst, and Rhonda Purkapile, Senior Legislative Secretary.